



## *Employment* **SECURITY**

32 SOUTH MAIN STREET  
CONCORD NEW HAMPSHIRE 03301-4857

**RICHARD S. BROTHERS**, Commissioner  
**DARRELL L. GATES**, Deputy Commissioner

TO: Employers, Consultants and Service Providers  
FROM: New Hampshire Employment Security, WOTC Certifying Unit

Thank you for your interest in the Work Opportunity Tax Credit and Welfare-to-Work Tax Credit Programs as administered in the State of New Hampshire. Please be advised that New Hampshire uses a centralized mail-in system for WOTC/Welfare-to-Work processing. It is the responsibility of the employer or an authorized representative to request Certification in writing. Certification can be requested for first time hires only.

An employer's complete request for certification must include:

- (A) A WOTC and Welfare-to-Work Pre-Screening Notice (IRS Form 8850) that has been completed on or before the day the job offer is made, and sent to NHES no later than **21 days after the start work date**. This is a two-sided or two-page document. This document **must** contain original signatures and all areas must be completed before it can be accepted.
- (B) An Individual Characteristics Form (ETA 9061) that has been completed and **includes supporting documentation for the target group chosen**. Examples of supporting documentation can be found on a separate page in this packet.

Enclosed are the WOTC and Welfare-to-Work Fact Sheet, Pre-Screening Notice, and Individual Characteristics Form. These forms are also available by dialing 1-877-828-2050 from a fax machine. All completed WOTC and Welfare-to-Work Forms and documentation are mailed to: New Hampshire Employment Security, WOTC Certifying Unit - Operations, 32 South Main Street, Concord NH 03301-4857.

For more information or questions regarding this program please contact Laura Clegg, State WOTC Coordinator, at 603-228-4079 (Fax) 603-229-4321, Email [lclegg@nhes.state.nh.us](mailto:lclegg@nhes.state.nh.us) or visit our web site @ [www.nhes.state.nh.us](http://www.nhes.state.nh.us)

Sincerely,

Laura Clegg  
WOTC Coordinator

## **Work Opportunity Tax Credit Program**

### Legislative Background:

***The Small Business Job Protection Act of 1996*** (Public Law 104-188) created the Work Opportunity Tax Credit (WOTC) Program, which was designed to assist individuals from certain targeted groups to enter or re-enter the labor force. The program was originally authorized for a 12-month period (**10-01-96/09-30-97**).

***The Taxpayer Relief Act of 1997*** (Public Law 105-34) reauthorized, amended, and extended the WOTC program for an additional nine months (**10-01-97/06-30-98**). The reauthorization made certain modifications to the original tax credit program including, but not limited to, the following:

- 1) replaced the previous credit with a two-tiered system that provides a 25 % tax credit for certified employees who work at least 120 hours, but less than 400 hours, and a 40% tax credit for certified employees who work more than 400 hours;
- 2) modified the eligibility requirement with respect to TANF/AFDC recipients to include those recipients receiving benefits for any nine months of the previous 18 months;
- 3) added SSI recipients as a new category of eligible workers.

In addition, the Taxpayer Relief Act of 1997 established the Welfare-to-Work Tax Credit (WTW) which was designed to assist “long-term family assistance recipients” to enter or re-enter the workforce. The WTW tax credit is administered under the WOTC certification procedures established by the Small Business Job Protection Act of 1996. Information regarding the WTW tax credit is provided in this package.

***The Tax and Trade Relief Extension Act of 1998*** (Public Law 105-277) reauthorized and extended the WOTC program for 12 additional months (**07-01-98/06-30-99**) retroactive to its previous legislative expiration date of June 30, 1998. In addition, the Act also extended the WTW Tax Credit through June 30, 1999. This extension applies to new hires that begin work for the employer on or after July 01, 1998, through June 30, 1999.

***The Ticket to Work and Work Incentives Improvement Act of 1999*** (Public Law 106-170) was signed into law on December 17, 1999. It extends the WOTC/WTW Tax Credits for a 30-month period through December 31, 2001, (**07-01-99/12-31-01**) and makes the reauthorization retroactive to the credits' previous expiration date of June 30, 1999. In addition, the Act also changes the definition of non-qualifying rehires to exclude a person from qualifying an employer for the tax credit if, prior to the hiring date, the person was employed by the employer at any time. The rehire's WOTC status at the time of the original hire now is irrelevant. The reauthorization applies to individuals that are hired by the employer on/or after July 01, 2002, and before January 01, 2004.

***The Job Creation and Worker Assistance Act of 2002 (Public Law 107-147; Sections 604 & 605)*** was signed into law on March 9, 2002. It extends the WOTC/WTW Tax Credits for a 24-month period through December 31, 2003, (**01-01-02/12-31-03**) and makes the reauthorization retroactive to the credits with a previous expiration date of 12-31-01.

***The Working Families Relief Act of 2004*** (Public Law 108-311) was signed into Law on October 4, 2004. It extends the WOTC/WTW Tax Credits for a 24-month period through December 31, 2005, (**01-01-04/12-31-05**) and makes the reauthorization retroactive to the credits with a previous expiration date of 12-31-03.

This information package is provided as a general program guide only and is subject to change without notice as the legislative authority is amended. For more information regarding these programs, please contact Laura Clegg, State WOTC Coordinator, at 603-228-4079 (Fax) 603-229-4321, Email: [lclegg@nhes.state.nh.us](mailto:lclegg@nhes.state.nh.us) or visit our web site @ [www.nhes.state.nh.us](http://www.nhes.state.nh.us)

## **WOTC Target Groups At-A-Glance**

**A) Qualified IV-A Recipients** \* \* \* This target group refers to any person who is a member of a family receiving AFDC/TANF or benefits under a successor program for any nine months during the 18-month period ending on the hiring date. An IV-A recipient is, for purposes of the WOTC, a family member who is specifically listed on the IV-A grant.

The tax credit for this target group is calculated at the rate of 25% of the qualified first-year wages up to \$6,000 for employees working at least 120 hours, but less than 400 hours. This allows a maximum credit amount of \$1,500. For employees working at least 400 hours or more, the credit is calculated at the rate of 40% of the qualified first-year wages up to \$6,000. This allows a maximum credit amount of \$2,400.

**B) Qualified Veterans** \* \* \* This target group refers to any veteran as one who:

- 1) is a member of a family receiving assistance under a food stamp program under the Food Stamp Act of 1977 for at least a three-month period during the 15-month period ending on the hiring date; **and**
- 2) has served on active duty (other than active duty for training) in the Armed Forces of the United States for a period of more than 180 days, or was discharged or released from active duty in the Armed Forces of the United States for a service connected disability; **and**
- 3) did not have any day during the 60-day period ending on the hiring date that was a day of extended active duty” in the

Armed Forces of the United States. The term “extended active duty” means a period of more than 90 days during which the individual was on active duty, other than active duty for training.

The tax credit for this target group is calculated at the rate of 25% of the qualified first-year wages up to \$6,000 for employees working at least 120 hours, but less than 400 hours. This allows a maximum credit amount of \$1,500. For employees working at least 400 hours or more, the credit is calculated at the rate of 40% of the qualified first-year wages up to \$6,000. This allows a maximum credit amount of \$2,400.

**C) Qualified Ex-Felons** \* \* \* This target group refers to any one who:

- 1) has been convicted of a felony under any statute of the United States or any state, **and**
- 2) has a hiring date that is not more than one year after the last date on which he/she was so convicted or was released from prison, **and**
- 3) is a member of an economically disadvantaged family.

The tax credit for this target group is calculated at the rate of 25% of the qualified first-year wages up to \$6,000 for employees working at least 120 hours, but less than 400 hours. This allows a maximum credit amount of \$1,500. For employees working at least 400 hours or more, the credit is calculated at the rate of 40% of the qualified first-year wages up to \$6,000. This allows a maximum credit amount of \$2,400.

**D) High-Risk Youth** \* \* \* This target group refers to any person who:

- 1) is at least age 18, but not yet age 25, on the hiring date, **and**
- 2) has his/her principal place of abode within an empowerment zone (EZ) or enterprise community (EC).

In the case of a high-risk youth, the term qualified wages shall **not** include wages paid or incurred for services performed while he/she lived outside of the EZ/EC.

**Note:** At this time, there are no empowerment zones in New Hampshire, and only one enterprise community, located in Manchester. To find out if a specific address is in the Manchester EC, go to the EZ/EC web-site on the Internet at <http://www.ezec.gov>, and click on the EZ/EC Interactive Locator Map. You may also find out by calling the Community Connections Information Center at 1-800-998-9999. The applicant must also continue to live in the enterprise community while earning wages to qualify for the credit .

The tax credit for this target group is calculated at the rate of 25% of the qualified first-year wages \$6,000 for employees working at least 120 hours, but less than 400 hours. This allows a maximum credit amount of \$1,500. For employees working at least 400 hours or more, the credit is calculated at the rate of 40% of the qualified first-year wages up to \$6,000. This allows a maximum credit amount of \$2,400.

**E) Vocational Rehabilitation Referral \* \* \*** This target group refers to any person:

- 1) having a physical or mental disability that, for that individual constitutes or results in a substantial handicap to employment, **and**
- 2) was referred to the employer upon, or at any time after, completing or while receiving rehabilitative services pursuant to an individualized written plan for employment under a state plan for vocational rehabilitation services approved under the Rehabilitation Act of 1973, **or**
- 3) a vocational rehabilitation program for veterans, carried out under Chapter 31 of Title 38, U.S. Code.

The tax credit for this target group is calculated at the rate of 25% of the qualified first-year wages up to \$6,000 for employees working at least 120 hours, but less than 400 hours. This allows a maximum credit amount of \$1,500. For employees working at least 400 hours or more, the credit is calculated at the rate of 40% of the qualified first-

year wages up to \$6,000. This allows a maximum credit amount of \$2,400.

**F) Qualified Summer Youth Employee \* \* \*** This target group refers to any person who:

- 1) performs services for the employer between May 01 and September 15; **and**
- 2) has attained age 16 but not yet age 18 on the hiring date or, if later, on May 01 of the calendar year involved; **and**
- 3) has not been employed by the same employer prior to the 90-day period between May 01 and September 15; **and**
- 4) has his/her principal place of abode within an empowerment zone (EZ) or enterprise community (EC).

In the case of a qualified summer youth employee, the term “qualified wages” shall **not** include wages paid or incurred for services performed while he/she lived outside of the EZ/EC.

The tax credit for this target group is calculated at the rate of 25% of the qualified first-year wages up to \$3,000 for employees working at least 120 hours, but less than 400 hours. This allows a maximum credit amount of \$750. For employees working at least 400 hours or more, the credit is calculated at the rate of 40% of the qualified first-year wages up to \$3,000. This allows a maximum credit amount of \$1,200.

**G) Qualified Food Stamp Recipient \* \* \*** This target group refers to any person who:

- 1) has attained the age of 18 but not yet age 25 on the hiring date, **and**
- 2) is a member of a family receiving assistance under a food stamp program under the Food Stamp Act of 1977 for the six-month period ending on the hiring date, **or**

- 3) receiving such assistance for at least three months of the five-month period ending on the hiring date, in the case of an able-bodied adult without dependents who ceases to be eligible for food stamps under the work requirements at Section 6 (o) of the Food Stamp Act of 1977.

The tax credit for this target group is calculated at the rate of 25% of the qualified first-year wages up to \$6,000 for employees working at least 120 hours, but less than 400 hours. This allows a maximum credit amount of \$1,500. For employees working at least 400 hours or more, the credit is calculated at the rate of 40% of the qualified first-year wages up to \$6,000. This allows a maximum credit amount of \$2,400.

**H) Qualified SSI Recipient** \* \* \* This target group refers to any person who is:

receiving Supplemental Security Income (SSI) benefits under title XVI of the Social Security Act for any month ending within the 60-day period ending on the hiring date.

The tax credit for this target group is calculated at the rate of 25% of the qualified first-year wages up to \$6,000 for employees working at least 120 hours, but less than 400 hours. This allows a maximum credit amount of \$1,500. For employees working at least 400 hours or more, the credit is calculated at the rate of 40% of the qualified first-year wages up to \$6,000. This allows a maximum credit amount of \$2,400.

### **Welfare-to-Work Tax Credit (WTW)**

The Welfare-to-Work (WTW) tax credit was created by the Taxpayer Relief Act of 1997 (Public Law 105-34) and amended by The Tax and Trade Relief Extension Act of 1998 (Public Law 105-277) & The Ticket to Work and Work Incentives Improvement Act of 1999 (Public Law 106-170). The effective date for the W2W tax credit was 01-01-98. W2W is a two-year tax credit for employers who hire employees certified as long-term family assistance recipients. The tax credit is effective for wages paid to such employees who begin work after December 31, 1997.



A “Long-term Family Assistance Recipient” refers to any person who is a member of a family that:

- 1) has received family assistance (i.e., AFDC/TANF or a successor program) for at least 18 consecutive months ending on the hiring date, **or**
- 2) has received family assistance for a total of at least 18 months (whether or not consecutive) beginning after August 05, 1997, and has a hiring date that is not more than two years after the end of the earliest 18-month period; **or**
- 3) whose AFDC/TANF eligibility expired under a Federal or State law after August 05, 1997, for applicants hired within two years after their eligibility expiration.

**Note:** TANF means Temporary Assistance to Needy Families.

**Qualified First-Year Wages**...are wages that an employee earns during the first-year period, which begins the day the employee starts work. The maximum amount of wages to which the 35 percent tax credit may be applied during the first year shall not exceed \$10,000 for a maximum first year credit of \$3,500.

**Qualified Second-Year Wages**...are wages that an employee earns during the second-year period. During the second year, the maximum amount of wages to which the 50 percent may be applied shall not exceed \$10,000 for a maximum credit of \$5,000. Under the W2W tax credit, employers can claim up to \$8,500 of combined tax savings per new hire.

## **Coordination of WOTC and WTW Tax Credit**

The WTW tax credit is coordinated with the WOTC so that in any one taxable year an employer cannot claim both tax credits with respect to the same employee.

**Example...** Assume that an employee begins work on March 01, 1998, and works at least 400 hours for an employer whose taxable year is the calendar year. The employer pays “first-year wages” from March 1998 through February 1999 and pays “second-year wages” from March 1999 through February 2000. If the employee is certified as both a member of one of the WOTC targeted groups and a long-term family assistance recipient and the requirements for both credits are otherwise satisfied, the employer will have the following choices. For 1998, the employer may claim either the WOTC (40% of wages up to \$6,000) or the WTW tax credit (35% of wages as defined in section 51A(b)(5) of the IRS tax code up to \$10,000). For 1999, the employer may choose again which credit to claim. The WOTC would be based solely on the amount of first-year wages (up to the \$6,000 limit) paid in 1999, during the balance of the first employment year (i.e., January and February 1999). The WTW tax credit would have two components: 35% of the amount of first-year wages (up to the \$10,000 limit) paid in January and February 1999, and 50% of the amount of the second-year wages (up to a separate \$10,000 limit) paid in March through December 1999. For 2000, the taxpayer could claim only the WTW tax credit, based on the amount of second-year wages (up to the second \$10,000 limit) paid in January and February 2000.

**Notice to Employers ...**Before claiming the WTW tax credit on IRS Form 8861, an employer must obtain certification of an employee’s eligibility as a member of a family receiving Long-term Family Assistance benefits. New Hampshire Employment Security is the “designated local agency” responsible for issuing the required WTW tax credit certification. The rules for certifying an employee as a Long-term Family Assistance Recipient are the same as the rules for certifying target group membership under the WOTC. Also, the rules governing who is ineligible under the WOTC are the

same for Long-term Family Assistance Recipients, except that **Long-term Family Assistance Recipient employees must work at least 400 hours or 180 days (whichever occurs first) before the employer is eligible to claim the WTW tax credit.**

## **WOTC & WTW Forms Completion Requirements**

### **IRS Form 8850 (Pre-Screening Notice and Certification Request for Rev. Nov. 98 Work Opportunity and Welfare-to-Work Credits)**

Employers use IRS Form 8850 to pre-screen and to make a written request to New Hampshire Employment Security/WOTC Unit to certify the individual as:

- A member of a targeted group for purposes of qualifying for the WOTC tax credit, **or**
- A long-term family assistance recipient for purposes of qualifying for the WTW tax credit.

Submitting IRS Form 8850 to NHES/WOTC Unit is but one step in the employer's qualifying for the WOTC and/or WTW tax credit. The WOTC Unit must certify the job applicant is a member of a targeted group or is a long-term family assistance recipient. After starting work, the employee must meet the minimum number-of-hours-worked requirement for the WOTC tax credit, or the minimum number-of-hours/number-of-days requirement for the WTW tax credit. The employer may elect to take the applicable tax credit by filing Form 5884 (WOTC tax credit), or Form 8861 (WTW tax credit).

**Who Should Complete and Sign the Form?** The job applicant gives information to the employer on or before the day a job offer is made. This information is entered on IRS Form 8850. Based on the applicant's information, the employer determines whether he/she believes the applicant is a member of a WOTC targeted group or is a long-term family assistance recipient as defined under WTW. If the employer believes the applicant is a member of a WOTC targeted group or is a long-term family assistance recipient, the employer completes the rest of the form. Both the employee and the employer must sign IRS Form 8850 no later than the date for submitting the form to New Hampshire Employment Security/WOTC Unit.

**How do I get the Revised IRS Form 8850 ?** For your convenience, a copy of the revised IRS Form 8850 is included in this package. Employers may reproduce the attached revised form 8850 or may request additional copies from the IRS by calling 1-800-TAX-FORM

(1-800-829-3676). The revised form 8850 is available to computer users through the IRS home page on the World Wide Web, <http://www.irs.ustreas.gov>, and by modem directly at 703-321-8020 (not a toll-free number).

**How do I use the Revised IRS Form 8850 for WOTC & WTW?**

The job applicant furnishes information to the employer on or before the day the job offer is made by completing page one of IRS Form 8850 (Pre-Screening Notice and Certification Request for the Work Opportunity and Welfare-to-Work Credits). If the individual is hired and has answered “Yes” to item #2 (WOTC) and/or “Yes” to item #4 (WTW) on IRS 8850, the employer must complete page 2 of IRS Form 8850. **Both the employee and employer must sign Form 8850, with the employer submitting the original of the completed form to New Hampshire Employment Security at the following address:**

**New Hampshire Employment Security  
Attn: WOTC Unit  
32 South Main Street  
Concord, NH 03301-4857**

Employers must submit the completed IRS Form 8850 to the above address with a U. S. Postal Service (USPS) postmark which is **not later than 21 calendar days** following the employee’s employment start date. When the last day of the 21 calendar day period ends on a Saturday, Sunday, or legal holiday, the next succeeding business day, which is not a Saturday, Sunday, or legal holiday, will be treated as the last day of the period. IRS 8850s which are postmarked (USPS) according to this rule will be considered timely.

**Note:** A completed IRS Form 8850 is one that has been signed by both parties and contains all relevant detail for the particular targeted group. Submission of an IRS Form 8850, which is not substantially complete, will be grounds for rejection. A completed IRS Form 8850 is the only document that satisfies the 21-day statutory requirement. Since IRS Form 8850 requires the original signature of both the employee and the employer, the NHES/WOTC Unit’s receipt of a copy or a facsimile transmission of a completed IRS Form 8850 does not satisfy the statutory requirement.

## **Important Mailing Requirements**

If the U.S. Postal Service (USPS) makes the postmark on the envelope or wrapper, such postmark must bear a date that falls within 21 calendar days from the date of the employee's start date. If the postmark does not bear a date within 21 calendar days of the start date, the IRS Form 8850 will be considered not to have been filed in a timely manner, regardless of when the document is deposited in the mail.

If the postmark on the envelope or wrapper is not legible and the WOTC Unit has no evidence of receipt within the normal mail delivery time from the point of origin, starting with the date the employee begins work the employer and/or his authorized tax agent who is required to file the IRS 8850 has the burden of proving the time when the postmark was made.

If the envelope or wrapper has a postmark made by the U.S. Postal Service in addition to another postmark (postage meter, etc.), the postmark that was **not** made by the USPS shall be disregarded.

Postage meter postmarks alone, other than those provided by the USPS, are not acceptable as evidence of timely filing, unless received within a reasonable amount of time through the USPS.

***Note: Do not file Form 8850 with the Internal Revenue Service.***

<b><u>ETA-9061</u></b> <b>(Rev. Jan. 98)</b>	<b>Individual Characteristics Form (ICF)</b> <b>Work Opportunity Tax Credit &amp; Welfare-to-Work</b> <b>Tax Credit</b>
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Notice: In September 1997, the U.S. Department of Labor issued a revised Form ETA-9061. The changes to the WOTC and the enactment of the W2W tax credit are now reflected on a single form to simplify the certification process for prospective employees and employers.

Employers should begin using the new form ETA-9061 for employees whose first day of work is on or after October 01, 1997 (for the WOTC), or on or after January 01, 1998 (for the Welfare-to-Work tax credit). Employers may continue to use the old ETA-9061 (Individual Characteristics Form) for individuals who are in one of the original seven WOTC targeted groups and begin work before January 01, 1998.

## **How do I get the Revised USDOL Form ETA-9061?**

For your convenience, a copy of the revised ETA-9061 is included in this package. Employers may reproduce the attached revised ETA-9061 as needed. The revised ETA-9061 is available to computer users through the USDOL web site at [www.doleta.gov](http://www.doleta.gov).

## **How do I use the Revised ETA-9061?**

Employers must complete, sign, and submit form ETA-9061 (Individual Characteristics Form) on each individual for which the WOTC/W2W tax credit is requested. It is suggested that employers complete ETA-9061 and mail it with the IRS 8850 form, however, submission of ETA-9061 is not included under the mandatory 21 calendar day submission period applicable to form IRS 8850.

**Note:** A WOTC/W2W tax certification cannot be processed until such time as the Individual Characteristic Form (ETA-9061) has been completed, signed, and submitted to the New Hampshire Employment Security/WOTC Unit.

## **ES-1721      WOTC Family Income Status & Applicant's Statement**

***This form is used only for the WOTC Qualified Ex-Felon target group.***

Due to the eligibility requirements for certifying an employee as a "Qualified Ex-Felon" the employee must complete Form ES-1721, which lists each member of the employee's family and his source of income for the six-month period ending on the month prior to their hire date.

Example: If the employee's hire date was December 10, the six-month period for which he must provide family income information would be June 01 through November 30.

Note: Under the column "Source of Income" the employee should list the family member's specific employer, i.e., Acme Moving Company, etc. If a family member received AFDC, Social Security, Food Stamps, etc., during the affected period, that benefit should be noted as a source of income.

## **WOTC Special Rules**

Qualified Wages... In general, “qualified wages” for WOTC purposes means “wages” as defined by IRS Code, Section 3306.

Qualified First-Year Wages are wages that an employee earns during the one-year period, which begins the day the employee starts work. The maximum amount of wages to which the 25 or 40 percent credit may be applied shall not exceed \$6,000 of first-year wages for all target groups, except qualified summer youth, which may not exceed \$3,000.

Eligibility of Resident Aliens and Non-Citizens...Although an employee does not have to be a United States citizen (e.g., a resident alien) to be a target group member, the employee’s “citizen status” may affect whether wages paid to the employee are “qualified wages” for claiming a tax credit under the WOTC program.

Agricultural and Railroad Employees...A different wage definition applies to certain agricultural and railroad employees. See IRS Form 5884, Work Opportunity Credit, for more details.

Trade or Business Employment Wages...To claim the tax credit on an employee’s wages, more than half of those wages paid during any tax year must be earned by the employee in an employer’s trade or business; therefore, maids, chauffeurs, and other employees who work only in the home are not qualified for the WOTC.

On-the-Job Training (OJT) Payments...If for any period an employer receives federally funded payments for OJT for an employee, none of the wages paid to that employee for the OJT period qualify for the WOTC. While the wages paid to the employee during the OJT period do not qualify the employer for a tax credit, the time spent by the employee receiving OJT qualifies the employer towards fulfilling the minimum employment period requirement (retention period).

Non-Qualifying Rehires...A person shall not qualify an employer for the tax credit if, prior to the hiring date, the person was employed by the employer at any time.



Breaks in Employment...A WOTC certified employee may experience one or more breaks in employment, i.e., be laid off or quit and be re-hired by the same employer, and continue to qualify his/her employer for the tax credit. However, the employer may take the tax credit only on wages paid during the one-year period (or 90-day period for qualified summer youth) beginning on the employment starting date, including any breaks in employment. In determining whether an employee satisfies the “minimum retention” period of employment, the employer totals the cumulative days or hours the employee actually worked for the employer during the employee’s first year of employment.

Limitation on Unused Credit in a Carry-back or Carry-over Year...Unused WOTC credits that can be taken in a carry-back or carry-over year cannot be more than the tax liability limitation for that year, less any WOTC tax credit that is:

- 1) earned in the carry-back or carryover year, or
- 2) claimed in the carry-over year from a year earlier than the current year.

The WOTC, as a component of the general business credit, is subject to the net tax liability limitation of Section 38 of the Internal Revenue Code and the carry-back and carry-over rules of Section 39.

Nepotism...No WOTC tax credit can be claimed for wages paid to relatives employed by a taxpayer/employer. The tax credit is not valid if the employer/employee relationship is any of the following:

- 1) A son or daughter of the employer, or descendant of a son or daughter;
- 2) A stepson or stepdaughter of the employer;
- 3) A brother, sister, stepbrother, or stepsister of the employer;
- 4) A father or mother of the employer, or an ancestor of either;
- 5) A stepfather or stepmother of the employer;
- 6) The nephew or niece of the employer;
- 7) The uncle or aunt of the employer; or,
- 8) A son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law of the employer.

## **Examples of Documentary Evidence for Establishing & Verifying WOTC/W2W Eligibility**

### **AGE/BIRTHDAY**

(Required for High-Risk  
Summer Youth & Food Stamps)

- \* Birth Certificate
- \* Driver's License
- \* School I.D. Card
- \* Work Permit

### **FAMILY INCOME**

(Required for Ex-Felon)

- \* Pay Stubs
- \* Employer Contacts
- \* W-2 Forms
- \* Unemployment Ins. Documents
- \* Public Assistance Records
- \* Parole Officer Statements

### **NUMBER IN FAMILY**

(Required for Ex-Felon)

- \* Public Assistance Record
- \* Social Service Agency Record
- \* Parole Officer Statement

### **VETERAN STATUS**

- \* Form DD-214
- \* Reserve Unit Contacts
- \* Discharge Records

### **VOCATIONAL REHABILITATION REFERRAL**

- \* Voc. Rehab. Agency Contact
- \* Social Services Agency Contact
- \* Veteran's Administration

### **EX-FELON STATUS**

- \* Parole Officer Contact
- \* Correction Institution Records
- \* Court Records

### **AFDC (IV-A) RECIPIENT**

- \* AFDC Benefit History
- \* Signed statement from authorized individual with specific description of months benefits were received.

### **FOOD STAMP RECIPIENT**

- \* Food Stamp Benefit History
- \* Signed statement from authorized individual with specific description of months benefits were received.

### **ENTERPRISE ZONE**

- \* Driver's License
- \* Work Permit
- \* Utility Bills

These examples are not intended to be all-inclusive.